

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
BOARD OF DIRECTORS SPECIAL MEETING**

**March 19, 2019
815 Florida Avenue, NW
Washington, DC 20001
5:30 p.m.**

Minutes

I. Call to order and verification of quorum.

District of Columbia Housing Finance Agency (“DCHFA” or the “Agency”) Board Vice Chairman Stephen M. Green called the meeting to order at 5:44 p.m. and asked the Secretary to the Board of Directors (the “Board”), Mr. Todd Lee to verify a quorum. With five members present, the Board had a quorum, and the meeting continued.

The following members were present: Stephen M. Green, Bryan “Scottie” Irving, and Sheila Miller. Stanley Jackson participated via teleconference.

II. Approval of the Minutes from the February 12, 2019 and February 26, 2019 Board Meetings.

A motion was made to approve the minutes from the February 12, 2019 and February 26, 2019 board meetings by Mr. Jackson. The motion was properly seconded by Ms. Miller.

The motion passed by a chorus of ayes.

III. Vote to close meeting to discuss Petworth Station, the DC Open Doors Program’s Conversion from a Forgivable Loan Structure to a Deferred Loan Structure, and the Authorization of a New Line of Credit with PNC Bank in an Amount not to exceed \$15 Million.

Pursuant to the District of Columbia Administrative Procedure Act, the Chairperson of the Board of Directors, Mr. Binitie called a vote to close the meeting in order to discuss, establish, or instruct the public body’s staff or negotiating agents concerning the position to be taken in negotiating **Petworth Station, the DC Open Doors Program’s Conversion from a Forgivable Loan Structure to a Deferred Loan Structure, and the Authorization of a New Line of Credit with PNC Bank in an Amount not to exceed \$15 Million.** An open meeting would adversely affect matters related to the Agency. (D.C. Code §2-575(b)(2)).

A motion to close the meeting was made by Mr. Jackson, seconded by Mr. Irving and was followed by a chorus of ayes.

The meeting was closed by unanimous consent at 5:46 p.m., and resumed at 6:38 p.m.

Mr. Jackson disclosed that his company was involved initially in conducting outreach with small businesses for the Petworth project, so out of an abundance of caution he recused himself from the discussion about Petworth Station, and dropped off the call.

IV. Consideration of DCHFA Final Bond Resolution No. 2019-04 for Petworth Station.

DCHFA Underwriter, Ugonna Duru, presented the transaction and information to the Board.

The Multifamily Lending and Neighborhood Investments (“MLNI”) staff requests final bond approval from the District of Columbia Housing Finance Agency Board of Directors (the “Board”) for the issuance of tax-exempt bonds in an amount not to exceed \$12,460,000, inclusive of the estimated \$8,574,000 HUD 50/50 Risk Share permanent loan to finance a portion of the costs to rehabilitate 78 units and build 10 new units at Petworth Station Apartments (the “Development” or the “Property”).

The Board approved an Inducement Resolution for the transaction on May 9, 2017. The transaction was also included in the Eligibility Resolution authorizing the issuance of taxable and/or tax exempt bonds or obligations on December 1, 2017, as part of the Agency’s Convertible Option Bond (“COB”) which was the District’s plan of action to preserve affordable housing in the event that private activity bonds were discontinued by recent Federal Tax Reform legislation.

In 2015, the previous owners of the Property, CCA-Randolph Street LP, decided to sell Petworth Station, which triggered certain requirements under the Tenant Opportunity to Purchase Act (“TOPA”). The tenants formed the 930, 940, 960 Randolph Street Tenant Association (“RSTA”) and sought a developer partner to perform much needed repairs and renovation to the Property. The RSTA chose WC Smith & Co., Inc. (“WC Smith”) as developer and partner, and entered into an Assignment of Purchase and Sale Agreement and Tenant Purchase Rights and Development Agreement in September 2016. The property was acquired for \$4,800,000 on March 29, 2017. The new owner and borrowing entity (“Borrower”) for the proposed transaction is Petworth Station LP. In 2017, the site was designated as a Qualified Sensus Tract (QCT) and was eligible for a 30% LIHTC basis boost. The unit mix of the development will change from a total of seventy-eight (78) units to eight-eight (88) units including twenty-six (26) efficiency units, fifty-four (54) one-bedroom units, and eight (8) two-bedroom units. The site consists of three (3) garden-style buildings which will be restricted to residents earning 50% and 60% Area Median Income (“AMI”) or less.

The capital stack for the development will consist of permanent financing in the approximate amount of \$8,574,000 as a DCHFA Risk-Share first mortgage loan, a \$7,972,536 DHCD Housing Production Trust Fund loan, \$47,536 in interim income, \$7,691,956 in Low Income Housing Tax Credit Equity, and a \$693,509 Deferred Developer Fee. The total development cost is \$25,057,800 (\$284,748/unit), inclusive of acquisition debt repayment, hard and soft costs, developer and financing fees, reserves and escrows.

Petworth Station LP will be the owner and borrowing entity (“Borrower”) in the transaction. William C. Smith & Co., Inc. will be the guarantor of the Project. At closing, the Borrower will admit Wells Fargo Affordable Housing Community Development Company, the tax credit investor, as investor limited partner into the partnership to facilitate the LIHTC equity investment. The remaining members of the development team consist of WCS Construction, LLC as general contractor, Stoiber + Associates as Architect, and WC Smith as Property Manager.

Ms. Duru introduced members of the development team, as well as DCHFA’s bond counsel from Kutak Rock.

Mr. Green called for a motion on the resolution. Mr. Irving made a motion to approve DCHFA Final Bond Resolution No. 2019-04; that motion was properly seconded by Ms. Miller. Mr. Lee said the Board took a poll vote because the Agency is committing volume cap.

The motion was voted on by Mr. Irving, Ms. Miller and Mr. Green. The motion was approved by a chorus of Ayes.

Mr. Jackson rejoined via teleconference.

V. Consideration of DCHFA Resolution No. 2019-06(G) regarding the DC Open Doors Program’s Conversion from a Forgivable Loan Structure to a Deferred Loan Structure.

Lisa Hensley, Vice President, Single Family Programs, presented the resolution and information to the Board.

The DCHFA DC Open Doors Down Payment Assistance Program (“DPA”), since its inception in 2013, has been structured as a 0% non-amortizing second lien loan that is forgiven at 20% per year until fully forgiven on the 5th anniversary of the loan.

Due to changes in the market and rising interest rates, the Agency’s current single family first lien loan program has become less affordable to potential borrowers due to the program’s higher interest rates, as much as 1.87% higher than market rates. The higher interest rate is the means by which the Agency is able to recoup the cost of the forgivable down payment program. DCHFA’s higher rates for its Single Family first lien loan programs unfortunately result in a decline in the number of qualifying borrowers for those programs.

The Agency’s Single Family Programs Department, along with the Office of Finance, has performed extensive research to identify other successful down payment assistance programs offered throughout the country by other Housing Finance Agencies (“HFAs”) in order to determine a better loan structure for the Agency’s DPA Program.

According to Ms. Hensley, the feedback from the majority of HFAs has been that a repayable second lien loan generated the highest volume of loan applications, thereby assisting the largest number of low to moderate income homebuyers. The Agency polled HFAs nationwide and received thirty-one (31) responses. The Agency learned that a least twenty-six (26) HFAs provide DPA funding in the form of a loan, and twenty-one (21) of those HFAs utilize loan structures that are repayable.

The Agency believes that changing to a 0% deferred, non-amortizing deferred loan for its DPA Program will allow it to provide lower rates to borrowers for its first lien loans. The borrower will be required to repay the deferred loan upon the refinance, sale, or other transfer of ownership of the property.

The Agency expects to price the deferred loans at an amount required to allow the Single Family Programs Department to continue to sustain its program while achieving its mission of serving low to moderate income borrowers throughout the City. Thus, the overall financial impact to DCHFA is expected to be neutral.

Mr. Green called for a Motion on the Resolution. Mr. Irving made a motion to approve DCHFA Resolution No. 2019-06(G), and it was properly seconded by Ms. Miller.

The motion was approved by roll call vote. The motion was approved by a chorus of Ayes.

VI. Consideration of DCHFA Resolution No. 2019-07(G) regarding the Authorization of a New Line of Credit with PNC Bank in an Amount not to exceed \$15 Million.

Ted Blake, Chief Financial Officer, Office of Financial Management presented the resolution and information to the Board.

DCHFA has maintained a \$15 million line of credit provided by PNC Bank for nearly 10 years. This line of credit is backed by the full faith and credit of the Agency and is cash collateralized. The current terms of the line of credit permit the Agency to use the proceeds from advances solely for purposes of (i) providing interim financing for the costs of extending multifamily and single family mortgages under the U.S. Treasury Department's New Issue Bond Program ("NIBP") or (ii) acquiring ownership of, and making capital improvements to, the Agency's headquarters. Thus, the Agency recently negotiated modifications to the line of credit which provide greater flexibility in use, reduce borrowing costs and eliminate the need to provide collateral.

Among other things, the modifications to the line of credit including permitting DCHFA to use the line of credit to meet the short term needs of the general fund and for short term financings; eliminating the need for the line of credit to be cash collateralized; and reducing the interest rate for the line of credit from LIBOR + 70bps to LIBOR + 60bps.

Based on the improvements in the structure and economics of the proposed line of credit the Agency staff recommends that the Board approve the terms of a new PNC line of credit.

There being no questions, Mr. Green called for a vote on DCHFA Resolution No. 2019-07(G). Mr. Jackson made a motion to approve the resolution, which was seconded by Ms. Miller.

The motion was approved by a chorus of Ayes.

VII. Other Business

There was no other business.

VIII. Executive Director's Report

1. Mr. Lee announced that the DCHFA 40th Anniversary Celebration will take place at City Winery at 5:30 p.m. on March 22, 2019.
2. Mr. Lee also announced that there will be a Budget Oversight Hearing at DC City Council on March 28, 2019
3. Mr. Lee introduced Monte Stanford as the Agency's new Chief Operating Officer, who formerly held the position as Chief of Staff at MassHousing in Boston, Massachusetts.

IX. Adjournment

Mr. Green called for a motion to adjourn.

A motion to adjourn the meeting was made by Mr. Irving and seconded by Mr. Jackson.

The motion was approved by a chorus of ayes.

The meeting adjourned at 7:30 p.m.

Submitted by Todd A. Lee, Secretary to the Board of Directors on April 19, 2019

Approved by the Board of Directors on April 23, 2019.